



SUNDAYS RIVER VALLEY MUNICIPALITY

(Registration number: EC106)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Published 31 August 2017

Sundays River Valley Municipality

(Registration number EC106)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

EC 106- Municipality - The Municipality 's operations are governed by The Municipal finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Sysytems Act 32of 2000; and various other acts and regulations.

Nature of business and principal activities

Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community.

Jurisdiction

The Sundays River Valley Municipality included the following areas :
Addo, Kirkwood, Peterson and Sunlands

Council

Mayor

NG Bixa

Speaker

SH Rune

Councillors

F Adams

LE Baka

PR Blou

M Bosman

A Dancey

L Erasmus

N Jack

NG Kausele

K Mbangi

SC Nodonti

MC Payi

K Smith

ZA Tom

A Ndawo

Grading of local authority

Two (2)

Telephone:

(042)230 0077

Registered office

30 Middle Street
Kirkwood
6120

Postal address

PO Box 47
Kirkwood
6120

Bankers

First National Bank

Auditors

Auditor - General South Africa

Attorneys

Phumeza Bono Incorporated

Accounting Officer

N.Myengeza (Acting Municipal
Manager)

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DPW	Department of Public Works
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
SALGA	South African Local Government Association
IAS	International Accounting Standards
DWA	Department of Water Affairs
VAT	Value Added Tax
PAYE	Pay As you Earn
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
LGSETA	Local Government Sector Education and Training Authority

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 69, which have been prepared on the going concern basis, were approved by the Accounting Officer on the 31 August 2017 and were signed by:

N. Myengeza (Acting Municipal Manager)
Accounting Officer

Sundays River Valley Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

		2017	2016 Restated
	Note(s)	R	R
Assets			
Current Assets			
Inventories	3	241 054	227 888
Receivables from non-exchange transactions	4	19 980 338	16 775 025
Receivables from exchange transactions	5	31 662 148	19 938 112
Cash and cash equivalents	6	14 883 917	7 870 107
		66 767 457	44 811 132
Non-Current Assets			
Investment property	7	29 597 400	29 599 900
Heritage assets	8	322 483	322 483
Intangible assets	9	1 288 035	468 201
Property, plant and equipment	10	585 008 578	582 316 303
		616 216 496	612 706 887
Non-Current Assets		616 216 496	612 706 887
Current Assets		66 767 457	44 811 132
Total Assets		682 983 953	657 518 019
Liabilities			
Current Liabilities			
Finance lease obligation	11	565 735	1 436 420
Payables from exchange transactions	12	35 617 079	28 190 807
VAT payable	13	3 826 680	1 924 247
Consumer deposits	14	56 362	6 542
Employee benefit obligation	17	606 757	449 710
Unspent conditional grants and receipts	15	3 757 216	3 065 237
		44 429 829	35 072 963
Non-Current Liabilities			
Finance lease obligation	11	318 333	396 657
Employee benefit obligation	17	3 336 032	3 243 411
Provisions	16	12 668 081	12 049 927
		16 322 446	15 689 995
Non-Current Liabilities		16 322 446	15 689 995
Current Liabilities		44 429 829	35 072 963
Total Liabilities		60 752 275	50 762 958
Assets		682 983 953	657 518 019
Liabilities		(60 752 275)	(50 762 958)
Net Assets		622 231 678	606 755 061

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

		2017	2016
	Note(s)	R	R
Revenue			
Revenue from exchange transactions			
Service charges	18	51 692 084	39 420 013
Interest on outstanding debtors		10 340 714	2 291
Rental of facilities and equipment	19	27 980	22 730
Interest earned on current investment accounts		1 615 919	1 379 339
Income from agency services		2 652 654	2 083 242
Licences and permits		2 124 795	1 889 020
Other income	20	1 277 387	344 727
Inventory gains		778	-
Total revenue from exchange transactions		69 732 311	45 141 362
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	43 690 097	39 290 044
Transfer revenue			
Government grants and subsidies	22	104 128 752	95 037 208
Public contributions and donations	51	568 532	2 433 365
Fines		1 815 532	2 869 046
Insurance income		183 239	1 848 127
Total revenue from non-exchange transactions		150 386 152	141 477 790
Expenditure			
Employee related costs	23	(55 908 643)	(47 104 346)
Remuneration of councillors	24	(6 353 380)	(6 115 650)
Depreciation and impairment of non current assets	25	(32 003 166)	(29 104 986)
Impairment loss/ Reversal of impairments	26	(21 108 230)	(11 181 305)
Finance costs	27	(1 079 404)	(2 084 829)
Lease rentals on operating lease		(697 109)	(480 810)
Discount allowed	52	(1 420 218)	-
Repairs and maintenance	28	(3 973 892)	(3 072 393)
Bulk purchases	29	(17 220 937)	(20 013 615)
Contracted services	53	(6 110 546)	(7 226 466)
Loss on disposal of assets		(487 104)	(445 488)
Inventories losses/write-downs		-	(10 094)
General expenses	30	(58 279 217)	(42 723 480)
Total expenditure		(204 641 846)	(169 563 462)
Total revenue		220 118 463	186 619 180
Total expenditure		(204 641 846)	(169 563 462)
Surplus before taxation		15 476 617	17 055 718
Surplus for the year from continuing operations		15 476 617	17 055 718
Surplus for the year		15 476 617	17 055 718

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Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	589 699 343	589 699 343
Balance at 01 July 2015	589 699 343	589 699 343
Changes in net assets		
Deficit for the year	17 055 718	17 055 718
Total changes	17 055 718	17 055 718
Opening balance as previously reported	499 667 495	499 667 495
Adjustments		
Correction of errors	107 087 566	107 087 566
Balance at 01 July 2016 as restated*	606 755 061	606 755 061
Changes in net assets		
Surplus for the year	15 476 617	15 476 617
Total changes	15 476 617	15 476 617
Restated balance at 30 June 2017	622 231 678	622 231 678

Note(s)

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

		2017	2016
			Restated
	Note(s)	R	R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		66 370 341	61 640 487
Grants		104 128 752	90 948 665
Interest revenue		11 956 633	1 381 630
Other receipts		2 582 463	6 950 920
		185 038 189	160 921 702
Payments			
Employee costs		(55 906 365)	(53 665 824)
Suppliers		(63 642 259)	(79 172 529)
Finance costs		(1 079 404)	(2 084 829)
		(120 628 028)	(134 923 182)
Total receipts		185 038 189	160 921 702
Total payments		(120 628 028)	(134 923 182)
Net cash flows from operating activities	31	64 410 161	25 998 520
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(55 370 603)	(35 388 869)
Proceeds from sale of property, plant and equipment	10	(2 500)	(2 000)
Proceeds from sale of investment property	7	2 500	256 400
Purchase of intangible assets	9	(1 076 739)	(185 628)
Net cash flows from investing activities		(56 447 342)	(35 320 097)
Cash flows from financing activities			
Borrowings repaid		-	(1 704 800)
Finance lease payments		(949 009)	(1 466 660)
Net cash flows from financing activities		(949 009)	(3 171 460)
Net increase/(decrease) in cash and cash equivalents		7 013 810	(12 493 037)
Cash and cash equivalents at the beginning of the year		7 870 107	20 363 144
Cash and cash equivalents at the end of the year	6	14 883 917	7 870 107

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Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	43 804 000	4 044 000	47 848 000	51 692 084	3 844 084	FinPer1
Rental of facilities and equipment	27 000	3 000	30 000	27 980	(2 020)	
Interest received	6 533 000	5 341 000	11 874 000	11 956 633	82 633	
Income from agency services	1 728 000	633 000	2 361 000	2 652 654	291 654	
Licences and permits	1 644 000	527 000	2 171 000	2 124 795	(46 205)	
Other income	7 516 000	(984 000)	6 532 000	1 277 387	(5 254 613)	FinPer2
Total revenue from exchange transactions	61 252 000	9 564 000	70 816 000	69 731 533	(1 084 467)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	38 201 000	4 602 000	42 803 000	43 690 097	887 097	
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Transfer revenue

Government grants	100 501 000	6 727 000	107 228 000	104 128 752	(3 099 248)	Finper3
Public contributions and donations	-	-	-	568 532	568 532	
Fines	4 240 000	(1 228 000)	3 012 000	1 815 532	(1 196 468)	Finper4
Insurance income	-	-	-	183 239	183 239	

Total revenue from non-exchange transactions	142 942 000	10 101 000	153 043 000	150 386 152	(2 656 848)	
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'Total revenue from exchange transactions'	61 252 000	9 564 000	70 816 000	69 731 533	(1 084 467)	
'Total revenue from non-exchange transactions'	142 942 000	10 101 000	153 043 000	150 386 152	(2 656 848)	
Total revenue	204 194 000	19 665 000	223 859 000	220 117 685	(3 741 315)	

Expenditure

Employee costs	53 418 000	(697 000)	52 721 000	55 908 643	3 187 643	FinPer5
Remuneration of councillors	6 310 000	(71 000)	6 239 000	6 353 380	114 380	
Depreciation and amortisation	35 000 000	(5 000 000)	30 000 000	32 003 166	2 003 166	FinPer6
Impairment loss/ Reversal of impairments	34 967 000	(18 000 000)	16 967 000	21 108 230	4 141 230	FinPer7
Finance costs	2 644 000	-	2 644 000	1 079 404	(1 564 596)	
Lease rentals on operating lease	-	-	-	697 109	697 109	
Discount allowed	-	-	-	1 420 218	1 420 218	
Repairs and maintenance	6 304 000	2 119 000	8 423 000	3 973 892	(4 449 108)	
Bulk purchases	20 495 000	92 000	20 587 000	17 220 937	(3 366 063)	
Contracted Services	4 026 000	5 999 000	10 025 000	6 110 546	(3 914 454)	
Transfers and Subsidies	17 970 000	10 655 000	28 625 000	26 483 041	(2 141 959)	
General expenditure	35 970 000	(219 000)	35 751 000	31 796 176	(3 954 824)	
Total expenditure	217 104 000	(5 122 000)	211 982 000	204 154 742	(7 827 258)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
	204 194 000	19 665 000	223 859 000	220 117 685	(3 741 315)	
	(217 104 000)	5 122 000	(211 982 000)	(204 312 842)	7 669 158	
Operating surplus	(12 910 000)	24 787 000	11 877 000	15 804 843	3 927 843	
Loss on disposal of assets and liabilities	-	-	-	(487 104)	(487 104)	
Inventories losses/write-downs	-	-	-	778	778	
	-	-	-	(486 326)	(486 326)	
	(12 910 000)	24 787 000	11 877 000	15 804 843	3 927 843	
	-	-	-	(486 326)	(486 326)	
Surplus before taxation	(12 910 000)	24 787 000	11 877 000	15 318 517	3 441 517	
Deficit before taxation	(12 910 000)	24 787 000	11 877 000	15 318 517	3 441 517	
Taxation	-	-	-	-	-	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Statement of Financial Position

Assets

Current Assets

Inventories	392 000	(24 000)	368 000	241 054	(126 946)	
Consumer debtors	28 490 000	26 000 000	54 490 000	51 642 486	(2 847 514)	
Cash and cash equivalents	5 562 000	15 917 000	21 479 000	14 883 917	(6 595 083)	FinPos1
	34 444 000	41 893 000	76 337 000	66 767 457	(9 569 543)	

Non-Current Assets

Investment property	22 808 000	7 048 000	29 856 000	29 597 400	(258 600)	
Property, plant and equipment	510 652 000	44 484 000	555 136 000	585 008 577	29 872 577	Finpos2
Intangible assets	750 000	1 456 000	2 206 000	1 288 035	(917 965)	
Heritage assets	-	-	-	322 483	322 483	
	534 210 000	52 988 000	587 198 000	616 216 495	29 018 495	

Non-Current Assets	34 444 000	41 893 000	76 337 000	66 767 457	(9 569 543)	
Current Assets	534 210 000	52 988 000	587 198 000	616 216 495	29 018 495	
Total Assets	568 654 000	94 881 000	663 535 000	682 983 952	19 448 952	

Liabilities

Current Liabilities

Borrowings	1 483 000	(1 020 000)	463 000	-	(463 000)	
Finance lease obligation	-	-	-	565 735	565 735	
employee benefits obligation	-	-	-	606 757	606 757	
Payables from exchange transactions	21 540 000	11 500 000	33 040 000	35 617 079	2 577 079	FinPos3
VAT payable	-	-	-	3 826 680	3 826 680	
Consumer deposits	300 000	(10 000)	290 000	56 362	(233 638)	
Unspent conditional grants and receipts	-	-	-	3 757 216	3 757 216	FinPos4
	23 323 000	10 470 000	33 793 000	44 429 829	10 636 829	

Non-Current Liabilities

Borrowings	397 000	(147 000)	250 000	-	(250 000)	
Finance lease obligation	-	-	-	318 333	318 333	
Employee benefit obligation	-	-	-	3 336 032	3 336 032	
Provisions	38 024 000	(21 420 000)	16 604 000	12 668 081	(3 935 919)	
	38 421 000	(21 567 000)	16 854 000	16 322 446	(531 554)	

	23 323 000	10 470 000	33 793 000	44 429 829	10 636 829	
	38 421 000	(21 567 000)	16 854 000	16 322 446	(531 554)	
	-	-	-	-	-	
Total Liabilities	61 744 000	(11 097 000)	50 647 000	60 752 275	10 105 275	

Assets	568 654 000	94 881 000	663 535 000	682 983 952	19 448 952	
Liabilities	(61 744 000)	11 097 000	(50 647 000)	(60 752 275)	(10 105 275)	
Net Assets	506 910 000	105 978 000	612 888 000	622 231 677	9 343 677	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Accumulated surplus	506 910 000	105 978 000	612 888 000	622 231 677	9 343 677	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

Cash receipts from customers	27 590 000	2 332 000	29 922 000	63 128 380	33 206 380	
Government Grants	85 429 000	2 825 000	88 254 000	90 948 665	2 694 665	
Other cash item	84 504 000	-	84 504 000	6 950 920	(77 553 080)	
	197 523 000	5 157 000	202 680 000	161 027 965	(41 652 035)	

Payments

Employee costs	(53 418 000)	697 000	(52 721 000)	(53 665 824)	(944 824)	
Suppliers	(78 187 000)	-	(78 187 000)	(82 501 732)	(4 314 732)	
Transfers and grants	(1 764 000)	1 764 000	-	(9 979 492)	(9 979 492)	
	(133 369 000)	2 461 000	(130 908 000)	(146 147 048)	(15 239 048)	

Total receipts	197 523 000	5 157 000	202 680 000	161 027 965	(41 652 035)	
Total payments	(133 369 000)	2 461 000	(130 908 000)	(146 147 048)	(15 239 048)	
Net cash flows from operating activities	64 154 000	7 618 000	71 772 000	14 880 917	(56 891 083)	
Net increase/(decrease) in cash and cash equivalents	64 154 000	7 618 000	71 772 000	14 880 917	(56 891 083)	
Cash and cash equivalents at the end of the year	64 154 000	7 618 000	71 772 000	14 880 917	(56 891 083)	

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Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
R	R	R	R	R	R	R	R	R	R	R

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Financial assets

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of related assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of related assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cash flows, together with economic factors such as inflation, interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the relevant note.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or enduse for the landfill sites.

Post- retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the relevant note.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Investment property

Investment property is property (land or a building, or part of a building, or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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1.3 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transactions costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	25-30 years
Leasehold property	Straight line	3 years
Plant and machinery	Straight line	3 - 5 years
Furniture and fixtures	Straight line	5-10 years
Motor vehicles	Straight line	7-10 years
Office equipment	Straight line	5 years
Infrastructure	Straight line	3-80 years
Other Assets	Straight line	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

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Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivable from non exchange Transactions
Receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Borrowings
Payables from Exchange Transactions
Unspent conditional grants

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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1.7 Financial instruments (continued)

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

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1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - The Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases -The Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.9 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. Penalties interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of rate payers and are deducted from revenue.

Fines

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue due to the municipality from spot fines and summonses based on past experience of amount collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

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1.10 Revenue from non-exchange transactions (continued)

Government Grants and receipts

Equitable share allocations are recognised in the revenue at the start of the financial year if no time-based restrictions exist. Income received from conditional grant, donations and funding are recognised as revenue to the extent that municipality has complied with any of the criteria, condition or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. government grant that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

1.11 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

1.12 Impairment of cash-generating assets

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

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1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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1.14 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

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1.14 Employee benefits (continued)

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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1.15 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent liabilities are not recognised. Contingencies are disclosed in the relevant note.

1.16 Budget information

The annual budget figures for the year ending 2016/17 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Interest, Income from agency services and rental of facilities and equipment

Revenue arising from the use by others of Municipality assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorising tariff. This includes the issue of licences and permits.

1.18 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

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Accounting Policies

1.20 VAT

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" per the MFMA otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

- expenditure incurred by the municipality or that is not in accordance with a requirement of the MFMA, and which has not been condoned in terms of section 170 of the MFMA;
- expenditure incurred the municipality that is not in accordance with a requirement of the Municipal Systems Act, and which has not been condoned in terms of that MFMA;
- expenditure incurred the municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred the municipality that is not in accordance with a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

but excludes expenditure by the municipality which is considered to be unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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Accounting Policies

1.25 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Going concern

The annual financial statements have been prepared on the assumptions that the municipality will continue to operate as a going concern for at least the next twelve months.

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	2017	2016 Restated
	R	R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

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	2017	2016
	R	R
3. Inventories		
Consumables (At cost)	237 163	224 775
Water (At cost)	3 891	3 113
	241 054	227 888

Inventory pledged as security

No assets are pledged as security.

4. Receivables from non-exchange transactions

Gross balances

Rates	57 962 516	26 128 120
Fines	7 796 358	6 435 633
	65 758 874	32 563 753

Less: Allowance for impairment

Rates	(38 189 760)	(9 357 868)
Fines	(7 588 776)	(6 427 229)
	(45 778 536)	(15 785 097)

Net Balances

Rates	19 772 756	16 766 621
Fines	207 582	8 404
	19 980 338	16 775 025

Receivables from non exchange transactions

Organ of the state	11 981 323	2 078 598
Commercial	1 853 642	1 433 278
Households	44 127 551	11 013 817
Fines	7 796 358	11 607 200
Less impairment	(45 778 536)	(9 357 868)
	19 980 338	16 775 025

The municipality does not hold deposits or other security for its receivables from non-exchange transactions and none of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

The ageing of receivables from non-exchange transactions is as follows:

Rates

Current(0-30 days)	1 810 917	3 746 768
31-60 days	1 231 912	-
61-90 days	940 401	708 675
91-120 days	181 725	375 963
120+ days	15 607 801	11 938 846
	19 772 756	16 770 252

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	2017	2016
	R	R
4. Receivables from non-exchange transactions (continued)		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(15 785 097)	(10 709 457)
Contribution to allowances	(29 993 439)	(5 075 640)
	(45 778 536)	(15 785 097)
5. Receivables from exchange transactions		
Gross balances		
Electricity	15 429 918	14 443 941
Water	87 367 297	105 456 149
Sewerage	17 603 596	16 643 136
Refuse	40 670 588	35 836 833
Interest charged on debtors and other	12 275 440	540 194
Unallocated deposits	-	(2 848 183)
	173 346 839	170 072 070
Less: Allowance for impairment		
Electricity	(5 669 871)	(5 417 938)
Water	(78 081 319)	(96 264 444)
Sewerage	(15 425 273)	(15 448 574)
Refuse	(35 191 649)	(33 250 037)
Interest charged on debtors and other	(7 316 579)	(52 965)
	(141 684 691)	(150 433 958)
Net balance		
Electricity	9 760 047	9 026 002
Water	9 285 978	9 191 705
Sewerage	2 178 323	1 194 562
Refuse	5 478 939	2 586 795
Interest charged on outstanding debtors	4 958 861	787 231
Unallocated deposits	-	(2 848 183)
	31 662 148	19 938 112
Receivables from exchange transactions by customer category		
Organ of the state	4 557 554	5 574 229
Commercial	10 795 310	9 675 364
Households	157 993 975	153 943 227
Interest charged on outstanding debtors	-	4 027 433
Unallocated deposits	-	(2 848 183)
Less Impairment	(141 684 691)	(150 433 958)
	31 662 148	19 938 112

The ageing of receivables from exchange transactions is as follows:

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	2017	2016
	R	R
5. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	3 474 676	1 448 530
31 - 60 days	861 098	723 376
61 - 90 days	459 239	173 546
91 - 120 days	720 609	184 070
121 - 365 days	4 244 425	6 662 183
	9 760 047	9 191 705
Water		
Current (0 -30 days)	2 198 407	2 124 623
31 - 60 days	1 007 873	525 231
61 - 90 days	223 104	804 453
91 - 120 days	395 284	1 963 573
121 - 365 days	5 461 310	3 608 123
	9 285 978	9 026 003
Sewerage		
Current (0 -30 days)	334 594	268 617
31 - 60 days	158 674	263 083
61 - 90 days	42 711	35 777
91 - 120 days	41 043	26 702
121 - 365 days	1 601 301	600 383
	2 178 323	1 194 562
Refuse		
Current (0 -30 days)	847 336	517 799
31 - 60 days	405 877	503 597
61 - 90 days	105 430	85 241
91 - 120 days	101 708	80 392
121 - 365 days	4 018 588	1 399 766
	5 478 939	2 586 795
Other		
Current (0 -30 days)	1 769 214	-
31 - 60 days	860 722	-
61 - 90 days	216 264	-
91 - 120 days	204 920	60 778
121 - 365 days	1 907 741	176 179
	4 958 861	236 957
Reconciliation of allowance for impairment		
Balance at beginning of the year	(150 433 958)	(144 350 805)
Contributions to allowance	8 749 267	(6 083 153)
	(141 684 691)	(150 433 958)

Receivables from exchange transactions are billed monthly and interest is charged on 10 percent per annum.

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	2017	2016
	R	R

5. Receivables from exchange transactions (continued)

The municipality did not pledge any of its receivables from exchange transaction as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of receivables from exchange transaction approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors as well as the current payment ratio's of the municipality's Receivables.

In determining the recoverability of a receivable from exchange transaction, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

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	2017	2016
	R	R

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 001 426	361 682
Short-term deposits	13 882 491	7 508 425
	14 883 917	7 870 107

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB - Primary account	952 736	361 668	611 327	918 120	361 682	681 817
FNB MVR Account	-	-	137 649	-	-	137 649
FNB Traffic fines account	-	-	22 110	-	-	22 110
FNB easy pay account	-	-	645	-	-	645
SRVM Call Account	-	-	22 348	-	-	22 348
Cash oh hand	-	-	-	-	-	315
IDP Call Account	1 000	56 915	56 915	1 000	56 915	56 915
Roads and public works	413 164	2 350 682	50 702	413 164	2 350 682	50 702
MSIG Grant	6 488	2 521	128 904	6 488	2 521	128 904
MIG Emsengeni Call Account	3 279 326	1 000	6 938 683	3 279 326	1 000	6 938 683
Addo Call Account	1 790	1 772	2 274	1 790	1 772	2 274
Finance Manangement	1 000	10 687	159 172	1 000	10 687	159 172
Grant- Call Account						
Intergr Zoning Scheme	8 723	108 723	108 723	8 723	108 723	108 723
Call Account						
Town P,anning : Call Account	54 029	350 218	351 239	54 029	350 218	351 239
LED Call Account	-	-	9 037	-	-	9 037
Library Call Account	1 000	1 057	-	1 000	1 057	-
Electricity Account:	1 000	1 000	-	1 005	1 000	-
62027590589						
Salary call account	913	5 039		913	5 039	
EPWP Incentive Grant	6 688	1 000	560 370	6 688	1 000	560 370
Ermergency Relief Fund	1 000	4 592	4 592	1 000	4 592	4 592
Capacity Building	-	-	-	-	-	1 088
TOA -74539338646	10 105 365	4 543 095	11 056 437	10 105 365	4 543 095	11 056 437
Establishment of Enon:	1 000	70 124	70 124	1 000	70 124	70 124
62408271211						
Motor Registration current :	83 306	-	-	83 306	-	-
62698754134						
Total	14 918 528	7 870 093	20 291 251	14 883 917	7 870 107	20 363 144

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	2017	2016
	R	R

7. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	29 597 400	-	29 597 400	29 599 900	-	29 599 900

Reconciliation of investment property - 2017

	Opening balance	Disposals	Total
Investment property - Land	29 599 900	(2 500)	29 597 400

Reconciliation of investment property - 2016

	Opening balance	Disposals	Total
Investment property - Land	29 856 300	(256 400)	29 599 900

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the offices of the municipality.

The prior year figure has been restated due to land which belongs to the municipality which was not previously recognised. The investment property was valued by a professional valuers as at 30 June 2014. Property discount indices were used to derive the restated balance as at 30 June 2016.

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

The municipality's investment properties are accounted for according to the cost model and therefore no fair value has been determined. No impairment losses have been recognised on investment property of the municipality at the reporting date.

8. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70 975	-	70 975	70 975	-	70 975
Historical buildings	251 508	-	251 508	251 508	-	251 508
Total	322 483	-	322 483	322 483	-	322 483

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	2017	2016
	R	R

8. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	322 483	322 483

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	2017	2016
	R	R

8. Heritage assets (continued)

Reconciliation of heritage assets 2016

	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	322 483	322 483

Revaluations

Historical building and books

The heritage assets is made up of the old church building and old books.

9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 864 063	(1 576 028)	1 288 035	1 787 324	(1 319 123)	468 201

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	468 201	1 076 739	(256 905)	1 288 035

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	447 747	185 628	(165 174)	468 201

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the statement of financial performance. No restrictions apply to any of the intangible assets of the municipality. No impairment losses have been recognised on intangible assets of the municipality at the reporting date.

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Figures in Rand

10. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	71 188 234	-	71 188 234	71 188 234	-	71 188 234
Buildings	104 966 846	(47 940 422)	57 026 424	100 997 961	(45 691 074)	55 306 887
Infrastructure	789 280 224	(395 199 023)	394 081 201	774 165 290	(369 698 395)	404 466 895
Furniture and fixtures	3 912 290	(2 687 398)	1 224 892	3 785 473	(2 375 541)	1 409 932
Office equipment	5 700 441	(3 146 038)	2 554 403	4 446 452	(2 481 819)	1 964 633
Motor vehicles	7 420 252	(1 292 198)	6 128 054	4 875 303	(990 425)	3 884 878
Emergency equipment	146 536	(81 442)	65 094	100 923	(66 054)	34 869
Plant and machinery	247 712	(150 454)	97 258	227 244	(130 809)	96 435
Leased assets - Office equipment	5 876 205	(5 056 247)	819 958	5 454 967	(4 055 949)	1 399 018
Leased assets - Motor vehicles	1 536 712	(1 536 712)	-	1 536 712	(1 246 819)	289 893
Other assets	224 779	(134 448)	90 331	203 630	(112 616)	91 014
Work in progress	51 732 729	-	51 732 729	42 183 615	-	42 183 615
Total	1 042 232 960	(457 224 382)	585 008 578	1 009 165 804	(426 849 501)	582 316 303

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	71 188 234	-	-	-	-	-	71 188 234
Buildings	55 306 887	4 299 501	(71 633)	-	(2 327 138)	(181 193)	57 026 424
Infrastructure	404 466 895	16 297 100	(336 361)	-	(26 242 498)	(103 935)	394 081 201
Furniture and fixtures	1 409 932	221 319	(19 712)	-	(380 911)	(5 736)	1 224 892
Office equipment	1 964 633	1 419 893	(38 613)	-	(779 919)	(11 591)	2 554 403
Motor vehicles	3 884 878	2 544 898	-	-	(271 874)	(29 848)	6 128 054
Emergency Equipment	34 869	46 491	(218)	-	(16 048)	-	65 094
Plant and machinery	96 435	27 875	(1 899)	-	(25 153)	-	97 258
Leased assets - Office equipment	1 399 018	491 164	(14 956)	-	(1 055 268)	-	819 958
Leased assets - Motor vehicles	289 893	-	-	-	(289 893)	-	-
Other assets	91 014	25 734	(1 212)	-	(24 495)	(710)	90 331
Work in progress	42 183 615	29 996 628	-	(20 447 514)	-	-	51 732 729
	582 316 303	55 370 603	(484 604)	(20 447 514)	(31 413 197)	(333 013)	585 008 578

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	19 297 104	51 891 130	-	-	-	-	71 188 234
Buildings	51 484 960	5 775 809	-	-	(1 953 882)	-	55 306 887
Infrastructure	401 112 041	27 570 463	(272 936)	-	(23 596 419)	(346 254)	404 466 895
Furniture and fixtures	2 037 385	25 503	(51 473)	-	(582 476)	(19 007)	1 409 932
Office equipment	1 934 386	930 738	(83 137)	-	(738 554)	(78 799)	1 964 634
Motor vehicles	2 623 998	1 471 882	(33 988)	-	(177 014)	-	3 884 878
Emergency Equipment	47 045	-	-	-	(11 359)	(817)	34 869
Plant and machinery	104 825	22 280	(763)	-	(29 030)	(877)	96 435
Leased assets - Office equipment	2 386 719	-	-	-	(987 701)	-	1 399 018
Leased assets - Motor vehicles	677 479	-	-	-	(387 586)	-	289 893
Other assets	112 498	12 192	(1 191)	-	(29 289)	(3 196)	91 014
Work in progress	43 943 211	30 983 445	-	(32 743 041)	-	-	42 183 615
	525 761 651	118 683 442	(443 488)	(32 743 041)	(28 493 310)	(448 950)	582 316 304

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	42 183 615	42 183 615
Additions/capital expenditure	29 996 628	29 996 628
Transferred to completed items	(20 447 514)	(20 447 514)
	51 732 729	51 732 729

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	2017	2016
	R	R

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	43 943 211	43 943 211
Additions/capital expenditure	30 983 445	30 983 445
Transferred to completed items	(32 743 041)	(32 743 041)
	42 183 615	42 183 615

The municipality did not pledge any of its assets, other than assets under finance leases as security. No restrictions apply to any of the property, plant and equipment of the municipality, other than assets under finance leases.

At 30 June 2017, assets with a value of R 333 068 was considered to be impaired (2016: R 448 950).

11. Finance lease obligation

Minimum lease payments due

- within one year	618 096	1 553 329
- in second to fifth year inclusive	347 388	405 370
	965 484	1 958 699
less: future finance charges	(81 416)	(125 622)
Present value of minimum lease payments	884 068	1 833 077

Present value of minimum lease payments due

- within one year	565 735	1 436 420
- in second to fifth year inclusive	318 333	396 657
	884 068	1 833 077

Non-current liabilities	318 333	396 657
Current liabilities	565 735	1 436 420
	884 068	1 833 077

It is the municipality's policy to hire office equipment under finance leases.

The average lease term was 3 years. The borrowing rate on office equipment was 15% with no changes in interest rate.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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	2017	2016
	R	R
12. Payables from exchange transactions		
Trade payables	21 742 927	20 431 250
Retention	501 621	231 597
Accrued leave pay	5 148 611	2 894 667
Accrued thirteenth cheque	1 449 937	1 077 009
Other payroll accruals	2 165 370	2 056 184
Motor registration control	2 001 822	1 040 997
Unknown Deposit	701 364	-
Other Creditors	1 905 427	459 103
	35 617 079	28 190 807

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Accrued bonus relates to the thirteenth cheque payable annually by the municipality. The accrual is an estimate of the amount due at the reporting date.

13. VAT payable

VAT provision	3 826 680	1 924 247
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No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date. Municipality is claiming VAT on as and when the money is paid to suppliers and the money is received from customers. This provision relates to income and expenditure that was invoiced and has not been paid to suppliers or received from customers.

14. Consumer deposits

Electricity	56 362	6 542
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

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	2017	2016
	R	R
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
EPWP Grant	5 688	-
Financial Management Grant	-	9 687
Audit Improvement	5 488	-
MSIG Grant	1 521	1 521
Small Town Revitalisation Grant	54 029	54 029
DPW Roads	412 164	3 000 000
MIG	3 278 326	-
	3 757 216	3 065 237

Movement during the year

Balance at the beginning of the year	3 065 237	7 153 775
Additions during the year	42 315 598	27 668 000
Income recognition during the year	(41 623 619)	(31 756 538)
	3 757 216	3 065 237

The unspent conditional grants and receipts are invested in investment accounts until utilised.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	12 049 927	618 154	12 668 081

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	10 987 442	1 062 485	12 049 927

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2017 by a technical specialist, using the the average cost of borrowing interest rate. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives.

	Proposed Rehabilitation Dates	Rehabilitation Cost
Kirkwood Landfill Site	2034/2035	2 034
Paterson Landfill Site	2049/2050	2 049
Sunland Lanfill Site	2026/2027	2 026

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	2017	2016
	R	R
17. Employee benefit obligations		
Defined benefit plan		
The defined benefit plan consists of the post retirement medical aid benefit plan and long service bonuses.		
Long-service awards		
A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.		
The long service bonus plans are defined benefit plans. As at 30 June 2017, 233 (2016: 173) employees were eligible for Long-service Awards.		
The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2017 arising out of the long-service leave awarded to qualifying in-service employees.		
Carrying value		
Opening Accrued Liability	2 256 792	2 068 096
Service Costs	282 035	223 993
Interest Costs	178 013	153 215
Actuarial(gain)/loss	61 683	55 669
Expected Benefit Vesting	(283 533)	(244 181)
	2 494 990	2 256 792
Non Current Liability	2 077 199	1 973 259
Current Liability	417 791	283 533
	2 494 990	2 256 792
Key assumption used		
Discounted rate	8,29%	8.41%
General salary inflation	6,11%	7.07%
Net effective discount rate	2,06	1.24%
Average retirement age	63	63
Other assumptions		
Normal retirement age	63 years	63 years
Number of trading days per year	250	250

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	2017	2016
	R	R

17. Employee benefit obligations (continued)

Post retirement medical aid plan

The Municipality operates five accredited medical aid schemes, namely:

Bonitas
Key health
Hosmed
LA Health
Samwu

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

At 30 June 2017, 4 (2016: 4) employees were eligible for post retirement medical aid plan.

The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2017 arising out of the post retirement medical aid plan awarded to qualifying in-service employees.

Carrying value

Present Value of defined benefit obligation	1 436 328	1 421 389
Interest Costs	114 627	109 439
Net actuaries (gains)/loss	63 020	60 060
Expected benefits	(166 176)	(154 560)
	1 447 799	1 436 328

Non Current liability	1 258 833	1 270 152
Current liability	188 966	166 176
	1 447 799	1 436 328

Membership data

Female members	3	3
Male members	1	1

Assumptions used

Assumptions used at the reporting date:

Discount rates used	8,48 %	8,46 %
Expected rate of return on assets	6,78 %	7,64 %
Expected rate of return on reimbursement rights	1,59 %	0,76 %

Sensitivity

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

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Notes to the Annual Financial Statements

	2017	2016
	R	R
17. Employee benefit obligations (continued)		
	2017	2016
	R	R
Plan assets	1 448 000	1 436 000
Surplus (deficit)	2 494 990	2 256 792
	2015	2014
	R	R
	1 421 000	1 585 000
	2 068 096	1 798 048
	2013	
	R	
	1 570 000	
	2 042 000	
18. Service charges		
Sale of electricity	22 750 120	17 654 763
Sale of water	16 350 188	12 417 369
Sewerage and sanitation charges	4 411 433	3 233 651
Refuse removal	8 180 343	6 114 230
	51 692 084	39 420 013
19. Rental of facilities and equipment		
Premises		
Venue hire	27 980	22 730
Rental revenue earned on Facilities and Equipment is in respect of non-financial assets rented out.		
20. Other income		
Rates Clearance Certificates	3 454	3 895
Cemetery fees	47 837	43 721
Reconnection : electricity	-	2 410
Prepaid Metre Boxes	49 275	63 060
Discount received from auditor general	791 231	-
Photocopies, and certificates	2 379	7 993
Other miscellaneous income	284 349	179 877
Building plans	96 835	41 250
Valuation certificates	2 027	2 521
	1 277 387	344 727
21. Property rates		
Rates received		
Property rates	43 690 097	39 290 044

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Notes to the Annual Financial Statements

	2017	2016
	R	R
21. Property rates (continued)		
Valuations		
Residential	880 606 340	893 132 070
Commercial	298 993 493	235 305 600
State	381 627 240	293 999 182
Exempt	33 588 362	106 271 320
Small holdings and farms	5 156 657 745	5 212 658 837
Public Service Infrastructure	35 401 868	33 064 148
Churches	59 457 220	-
	6 846 332 268	6 774 431 157

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

22. Government grants and subsidies

Operating and capital grants

Equitable share	59 306 000	54 769 000
Libraries	1 200 000	1 157 000
EPWP Incentive - Technical	994 312	1 584 690
MIG	26 854 709	30 793 770
LGSETA Human Resources	84 710	89 419
Fire and disaster management	1 826 422	375 000
MSIG	-	928 479
Cacadu Environmental Services	88 000	1 226 155
Finance Management	2 019 687	2 023 485
Small Town Revitalisation	-	297 210
National Electricity Programme	10 750 000	1 500 000
Department of Human Settlements	-	293 000
COGTA audit improvement grant	1 004 912	-
	104 128 752	95 037 208
	104 128 752	95 037 208
	-	-

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All indigent households receive 6 kl water and 50 kWh electricity (indigents only) free every month. An amount of R12 0000 was withheld due to the MISIG and FMG grant rollover not being approved for 2015/2016 financial year.

EPWP Grant

Balance unspent at beginning of year	-	584 690
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(994 312)	(1 584 690)
	5 688	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.

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Notes to the Annual Financial Statements

	2017	2016
	R	R

22. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	9 673	158 172
Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(2 019 673)	(2 023 499)
	-	9 673

The Financial Management Grant is allocated by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	1 515	128 904
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(1 057 389)
	1 515	1 515

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

MIG Grant

Balance unspent at beginning of year	-	5 930 770
Current-year receipts	21 711 000	24 863 000
Conditions met - transferred to revenue	(18 432 674)	(30 793 770)
	3 278 326	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. National Treasury withheld an amount of R2 735 000 for underspending during 2015/2016 financial year.

Small Town Revitalisation Grant

Balance unspent at beginning of year	54 029	351 239
Conditions met - transferred to revenue	-	(297 210)
	54 029	54 029

The Small Town Revitalisation Grant is allocated to municipalities to facilitate the development of strategies designed to enhance development and ensure improved economic performance, as well as poverty reduction within small towns.

Integrated National Electrification Programme Grant

Current-year receipts	10 750 000	1 500 000
Conditions met - transferred to revenue	(10 750 000)	(1 500 000)
	-	-

The Integrated National Electrification Programme Grant is allocated to assist to municipalities in addressing the electrification backlogs of occupied residential dwellings and installation of bulk infrastructure.

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	2017	2016
	R	R
22. Government grants and subsidies (continued)		
DPW Roads and SBDM		
Balance unspent at beginning of year	3 000 000	-
Current-year receipts	5 834 198	3 000 000
Conditions met - transferred to revenue	(8 422 034)	-
	412 164	3 000 000

Conditions still to be met - remain liabilities.

The DPW Roads and Sarah Baart district Municipality grant was allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. This funding was recieved late in the financial year and committed for Valencia roads and stormwater projects.

Other grants

Equitable share	59 306 000	54 769 084
libraries	1 200 000	1 157 000
Fire	568 000	375 000
Human Settlement	-	293 000
LGSETA	84 710	89 419
Environmental Services	1 258 420	1 226 155
SMMES	88 000	-
Conditions met transfer to revenue	(62 505 130)	(57 909 658)
	-	-

23. Employee related costs

Basic	37 428 557	33 241 927
Bonus	2 752 787	2 046 716
Medical aid - company contributions	2 584 859	1 960 576
UIF	352 949	306 641
SDL	447 218	403 950
Leave pay provision	2 617 216	-
Pension contributions	5 069 339	4 559 562
Overtime payments	2 835 373	2 823 499
Travel, motor car, accommodation, subsistence and other allowances	1 796 866	1 744 126
Industrial Council Levies	23 479	17 349
	55 908 643	47 104 346

Remuneration of Municipal Manager

Annual Remuneration	724 841	1 022 634
Contributions to UIF, Medical and Pension Funds	9 592	13 665
Other	149 864	193 754
	884 297	1 230 053

The Municipal Manager contract expired in February 2017 and since then the council appointed director corporate services to act as municipal manager from 1 March 2017 up 30 June 2016 and then after year end up to the date of approval of the financial statements. The municipality is still in the process of appointing the new municipal manager.

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	2017	2016
	R	R

23. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual Remuneration	863 011	809 909
Contributions to UIF, Medical and Pension Funds	10 737	10 233
Other	26 108	26 273
	899 856	846 415

Remuneration of director: Corporate Services

Annual Remuneration	539 892	490 417
Acting allowance for municipal manager position	70 850	-
Contributions to UIF, Medical and Pension Funds	10 554	9 433
Other	308 475	302 339
	929 771	802 189

Director corporate services was appointed as an acting municipal manager for the period of four months.

Remuneration of director: Technical Services

Annual Remuneration	803 884	754 417
Contributions to UIF, Medical and Pension Funds	10 134	9 665
Other	21 823	33 231
	835 841	797 313

Remuneration of director: Community Services

Annual Remuneration	388 826	579 719
Contributions to UIF, Medical and Pension Funds	6 160	8 947
Other	135 582	164 639
	530 568	753 305

Director community services resigned during November 2016 and the director was appointed in May 2017 and both their remuneration have been disclosed on the above note. Director Community services was then appointed by the council as the acting municipal manager from 1 July 2017 up to the date of the approval of these annual financial statements. Manager strategic and planning was appointed as an acting director community services. The acting allowance paid is not included on the above note, it is disclosed under employee related costs.

24. Remuneration of councillors

Mayor	821 827	836 498
Speaker	651 811	644 542
Committee Members	1 852 759	1 816 318
Councillors	3 026 983	2 818 292
	6 353 380	6 115 650

In-kind benefits

The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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Notes to the Annual Financial Statements

	2017	2016
	R	R
24. Remuneration of councillors (continued)		
Remuneration of councillors includes the total earnings for the annum plus the company contributions for the 2017 financial year.		
25. Depreciation and amortisation		
Depreciation: Property, plant and equipment	31 413 197	28 493 310
Impairment: Property, plant and equipment	333 064	448 950
Amortisation: Intangible assets	256 905	165 174
	32 003 166	29 104 986
26. Impairment of assets		
Impairments		
Trade and other receivables	21 108 230	11 181 305
Trade and other receivables have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful till date. This impairment includes debtors for property rates and service charges.		
	21 108 230	11 181 305
	-	-
27. Finance costs		
Interest expense on post retirement medical aid plan and long service awards provision	-	204 139
Finance leases	44 207	255 277
Discounting landfill site provision	618 154	1 062 486
Interest paid to suppliers	417 043	562 927
	1 079 404	2 084 829
28. Repairs and maintenance		
Building and structures	93 064	242 946
Office equipment	110	70 737
Infrastructure	3 264 948	2 601 497
Vehicles	593 978	118 096
Tools and accessories	21 792	39 117
	3 973 892	3 072 393
29. Bulk purchases		
Electricity	14 055 872	17 345 284
Water	3 165 065	2 668 331
	17 220 937	20 013 615

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Notes to the Annual Financial Statements

	2017	2016
	R	R
30. General expenses		
Advertising	463 296	136 310
Auditors remuneration	3 151 304	2 540 150
Bank charges	152 230	67 283
Cleaning	66 236	45 375
Commission paid	287 916	288 799
Consulting and professional fees	5 354 931	3 944 765
Old suspense accounts written off	-	230 384
Electricity	3 432 882	2 703 064
Entertainment	93 244	75 290
Fleet rental	665 607	1 597 912
Fuel and oil	892 745	1 041 001
Legal fees	355 765	609 394
IT Expenses	648 516	355 450
Insurance	860 779	1 227 285
Consumables	10 667	14 498
Motor vehicle expenses - Licences	49 360	45 407
Other expenditure	2 485 145	3 650 729
Postage and courier	1 891 981	1 380 255
Printing and stationery	426 940	1 020 559
Project costs: Grant expenditure	270 271	354 174
Protective clothing	174 101	185 643
MSCOA implementation	1 856 057	-
Membership fees	585 030	500 000
Security costs (Guarding of municipal property)	384 058	480 303
Staff welfare	11 500	35 215
Subsidies and rebates	26 483 041	15 816 425
Training	739 134	962 366
Travel and subsistence	1 233 109	908 907
Water carting	3 350 193	1 265 000
Water treatment costs	1 903 179	1 241 537
	58 279 217	42 723 480
31. Cash generated from operations		
Surplus	15 476 617	17 055 718
Adjustments for:		
Depreciation and amortisation	32 003 166	29 104 986
Loss on disposal of assets	487 104	445 488
Impairment	21 108 230	448 948
Movement in employee benefit obligation	249 669	203 635
Movement in provisions	618 154	1 062 485
Changes in working capital:		
Inventories	(13 166)	(2 978)
Trade and other receivables from exchange transactions	(3 205 313)	(1 550 369)
Trade and other receivables from non-exchange transactions	(10 466 357)	(11 987 755)
Payables from exchange transactions	5 507 825	(4 418 364)
VAT	1 902 433	-
Unspent conditional grants and receipts	691 979	(4 088 538)
Consumer deposits	49 820	(274 736)
	64 410 161	25 998 520

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	2017	2016
	R	R
32. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	36 421 088	26 441 279
Total capital commitments		
Already contracted for but not provided for	36 421 088	26 441 279
Authorised operating commitments		
Already contracted for but not provided for		
• Total operating commitments	18 823 880	6 121 226
Total operational commitments		
Already contracted for but not provided for	18 823 880	6 121 226
This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	697 109	480 810

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 12 months. No contingent rent is payable.

33. Contingencies

The municipality is exposed to the following court cases:

Sundays River Valley Municipality vs Department of water and sanitation - The municipality is disputing the debt due to Water and Sanitation with financial exposure of R 5000 000

Sundays River Valley Municipality vs TSOBO - The criminal trial matter set for hearing on 30 of August 2017, the matter is not finalised. The municipality have a possible exposure of R150 000

Sundays River Valley Municipality vs Mandlethu Civils - The defendant is keen to settle still awaiting trial date. The municipality has an exposure of R 100 000.

Sundays River Valley Municipality vs M Stemmers - Motor vehicle accident claim with financial exposure exposure of R50 000.

Sundays River Valley Municipality vs SMME Addo interdict - court order is obtained against the municipality with financial exposure of R83 000

Sundays River Valley Municipality vs S Mfama - Eviction with financial exposure of R 100 000

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	2017	2016
	R	R

33. Contingencies (continued)

Sundays River Valley Municipality vs D saki - allegations of bribery with financial exposure of R 20 000

Sundays River Valley Municipality vs Ngquse - with financial exposure of R50 000

34. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	31 662 148	31 662 148
Trade and other receivables from non - exchange transactions	19 980 338	19 980 338
Cash and cash equivalents	14 883 917	14 883 917
	66 526 403	66 526 403

Financial liabilities

	At amortised cost	Total
Finance lease obligation	884 068	884 068
Trade and other payables from exchange transactions	35 617 079	35 617 079
Taxes and transfers payable(non exchange transactions)	3 757 216	3 757 216
Consumer deposits	56 362	56 362
	40 314 725	40 314 725

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	2017	2016
	R	R
Financial instruments disclosure (continued)		
2016		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	19 938 112	19 938 112
Other receivables from non-exchange transactions	16 775 025	16 775 025
Cash and cash equivalents	7 870 107	7 870 107
	44 583 244	44 583 244
Financial liabilities		
	At amortised cost	Total
Finance lease obligation	1 833 077	1 833 077
Trade and other payables from exchange transactions	28 190 807	28 190 807
Taxes and transfers payable (non-exchange)	3 065 237	3 065 237
Consumer deposits	6 542	6 542
	33 095 663	33 095 663

35. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk:

Financial instrument	2017	2016
Cash and Cash equivalents	14 883 917	7 870 183

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	2017	2016
	R	R
35. Risk management (continued)		
Receivables from exchange transactions	30 527 756	19 938 112
Market risk		
Interest rate risk		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
36. Unauthorised expenditure		
Prior year unauthorised expenditure awaiting authorisation brought forward	42 768 382	36 394 077
Overspending discovered current year	3 441 517	6 374 305
	46 209 899	42 768 382
Unauthorised expenditure is in the process of condonement by council.		
37. Irregular expenditure		
Opening balance	183 371 896	151 413 534
Add: Irregular Expenditure - current year	26 561 628	31 958 362
	209 933 524	183 371 896
Irregular expenditure for current and the previous years has not been condoned by the council. Material balance of irregular expenditure relates to the payments made to contractors whose contracts were destroyed in fire.		
38. Fruitless and wasteful expenditure		
Opening balance	1 515 123	768 746
Fruitless and wasteful expenditure current year	417 043	746 377
	1 932 166	1 515 123

Fruitless and wasteful expenditure relates to interest charged by suppliers for late payments.

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	2017	2016
	R	R

39. Related parties

Relationships
Accounting Officer
Members of the key management

Refer to accounting officer's report note
N. Ponco - Chief Financial officer
T. Machelesi - Director Corporate Services
H. Skhweza- Director Community services- July to December 2016
P. Mbulawa - Director Technical Services

N. Mnyengeza- Director Community Services - May to June 2017

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers / residents.

Section 57 managers

Refer to note 23 for remuneration paid to section 57 managers. No remuneration was paid to family of Section 57 Managers.

Members of Council

The Councillors of the Municipality are as follows:

N G Bixa (Mayor)
N.G. Kausele (MPAC Chair)
K. Smith (Exco Member)
F. Adams (Portfolio Head - Community Services)
P R Blou (Portfolio Head - Engineering)
S H Rune (Speaker)
L E Beka s
M Bosman
A Dancey
L Erasmus
N Jack
K Mbangi
Z A Tom
A Ndawo
S C Nodonti
M C Payi

Refer to note 24 for remuneration paid to councillors. No remuneration was paid to family of members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	500 000	-
Current year subscription / fee	12 390	500 000
Amount paid - current year	(12 390)	-
Amount paid - previous years	(500 000)	-
Accrual at year end	-	500 000

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40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	4 964 244	7 368 390
Current year fee	2 789 078	2 972 688
Amount paid - current year	(7 085 912)	(2 376 834)
Amount paid - previous years	-	(3 000 000)
	667 410	4 964 244

PAYE and UIF

Opening balance	588 064	345 814
Current year fee	7 586 024	7 261 355
Amount paid - current year	(6 955 711)	(6 522 147)
Amount paid - previous years	(588 064)	(496 958)
	630 313	588 064

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor P R Blou	1 296	16 423	17 719
Councillor A Dencey	1 286	33 762	35 048
Councillor L Erasmus	1 294	632	1 926
Councillor SH Rune	1 091	7 845	8 936
Councillor N G Bixa	497	10 534	11 031
	5 464	69 196	74 660

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor B A Finnis	1 176	3 390	4 566
Councillor B Snoek	540	3 119	3 659
Councillor J S Delport	1 529	3 858	5 387
Councillor E Jagers	685	24 027	24 712
Councillor G N Hawu	216	-	216
Councillor M E Nkebe	954	1 488	2 442
Councillor J Manene	916	5 172	6 088
Councillor M. Rune	1 321	3 336	4 657
Councillor P R Blou	1 686	10 950	12 636
Councillor I Wagenaar	-	3 025	3 025
	9 023	58 365	67 388

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Figures in Rand

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	(392 343)	821 690
Current year subscription / fee	12 773 080	9 094 405
Amount paid - current year	(12 567 491)	(9 486 094)
Amount paid - previous years	(392 343)	(822 344)
	(579 097)	(392 343)

VAT

VAT payable	3 826 680	1 924 247
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Municipality is on the payment basis for VAT and submit monthly returns.

All VAT returns have been submitted by the due date throughout the year.

Deviation from supply chain management regulations

Paragraph 12(1) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident

Emergency in terms of SRVM policy	727 782	4 576 769
Impractical to obtain quotation	7 480	460 076
Sole provider of goods and services in the areas	777 289	746 849
Other	339 630	-
	1 852 181	5 783 694

41. Prior period errors

Investment Property

Investment property decreased as a result of land property that was erroneously included in the prior year balance. The error was corrected by removing the property that was not included. The net effect of the error is R-256 400. Previously reported amount is R 29 856 300 and the restated amount is R 29 599 900

Infrastructure Assets

The infrastructure assets was restated due to the following reasons:

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	2017	2016
	R	R

41. Prior period errors (continued)

1. Increase is due to correction of incorrect assessment of asset condition. The physical verification of total population of infrastructure assets was performed and the conditions of assets were re-assessed and the asset register was adjusted.

2. Retention was incorrectly capitalised to the cost of an assets , New components were identified and added to the cost of an asset. Components on the assets register could not be traced back to the physical assets and were removed from the asset register.

Work in Progress

Capitalisation of repairs and maintenance. WIP was increased as it was understated due to the none inclusion of these expenses.

Land

Land increased due to the following reasons:

1. The land value increased as a result of additional land properties identified during verification.
2. Change in valuation of land was due to removal of structures included in land value .

Buldings

1. During asset verification additional components were identified and added to the asset .
2. Increase is due to capitalisation of repairs and maintenace which were incorrectly classified as an expense in the prior year.
3. Components that could not be verified were removed from the cost of building , and new components identified during asset verification were added to buildings and the asset register was adjusted accordingly.

Movable assets

1. Movable assets increase due to new assets that were identified during the asset verification . The asset register was understated , the adjustment was made to include these identified assets.

Commitments

The commitments schedule was revised to correct errors that were identified during the audit. The overall total of commitments decreased by R 6 064 266 (Reported: R26 498 239; Restated; R32 562504.62

Irregular expenditure

The irregular expenditure register was revised to correct errors that were identified during the audit. The management revisited the total population of irregular expenditure . Overall total of irregular expenditure incurred in the current year , increased by R3 502149 (Reported: R28 456 213 ; Restated: R31 958 362).

Trade and other receivables and rates

- 1.The decrease in trade and other receivables was due to the correction of billing on property rates that was caused by the change in property values.

Expenditure

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	2017	2016
	R	R

41. Prior period errors (continued)

General expenditure was adjusted due to the following reasons.

1. The management revisited the entire population of bulk purchases , new invoices that were identified were added to the balance. Balances that appeared on the general ledger but were not included on the statements from the supplier were removed.

2. Repairs and maintenance was capitalised to assets.

VAT Payable

Decrease in VAT payable is due to the following reasons:

1. VAT accounts that were incorrectly captured , output VAT captured in input VAT and input VAT captured in output VAT. VAT due account was not reduced with payments received from SARS and this resulted in material VAT liability.

Retention

The retention decreased as a result of capitalisation of assets which were previously misstated..

Trade and other payables

1. Trade and other payables were adjusted due to invoices identified that were not included in the total balance.

2. Accruals were understated in the prior year due to invoices that were not raised , therefore accruals were understated

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Increase / decrease in Investment property	(256 400)	-
Increase / decrease in land	51 891 131	704 800
Increase / decrease in buildings	22 790 938	-
Increase/ decrease in Infrastructure assets	24 313 676	-
increase / decrease in work in progress	940 076	-
Increase / decrease in movable assets	(33 071)	(17 744 982)
Increase / decrease in trade and other receivables	(461 777)	1 962 167
Increase /decrease in Trade and other payables	(30 421)	(2 512 051)
Decrease in Bank and Cash	(76)	(148 573)
Increase /decrease in Vat payable	7 640 222	(1 602 076)
increase/decrease in consumer deposits	278 120	-
increase / decrease in accumulated surplus	(107 072 418)	19 340 715
	-	-

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Notes to the Annual Financial Statements

	2017	2016
	R	R

41. Prior period errors (continued)

Statement of Financial Performance

Increase / decrease in property rates	(28 501)	59 270
Increase/ decrease in depreciation	2 853 491	(2 896 396)
Increase / decrease in repairs and maintenance	(920 592)	(106 952)
Increase / decrease in bulk purchases	372	200 489
Increase / decrease in other expenditure	122 145	2 254 247
Increase/decrease in contracted services	525 303	-
Increase/decrease in cash sales	(2 635)	(36 842)
Increase/decrease in finance costs	504	-
Accumulated surplus	(2 550 087)	526 184

- -

During the financial year, management carried out asset verification as part of correction of errors identified. The process identified assets that had been acquired in prior period, but not included in the asset register. These assets had therefore not been included in the financial records. The omission of assets in the financial records was subsequently corrected.

The correction of the error(s) results in adjustments as follows:/

Statement of financial position

Land	51 891 132	-
Building	22 790 939	-
Investment property	(256 400)	704 800
Infrastructure assets	24 313 676	-
Work in progress	940 076	-
Movable assets	(33 071)	(17 744 892)
Accumulated surplus	(99 646 352)	17 040 092

- -

Cash flow statement

Cash flow from operating activities

Previously Reported	24 157 716	67 049 379
Corrections	1 840 804	422 337
	25 998 520	67 471 716

Cash flow from investing activities

Previously reported	(33 479 217)	(43 225 259)
Corrections	(1 840 880)	(1 211 454)
	(35 320 097)	(44 436 713)

Cash flow from financing activities

Previously Reported	31 711 460	(3 844 059)
Corrections		789 123
	31 711 460	(3 054 936)

42. Budget differences

Material differences between budget and actual amounts

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	2017	2016
	R	R

42. Budget differences (continued)

Statement of Financial Performance:

FinPer1

Service charges variance is immaterial as it is below 10% and is due to increase in tariffs.

FinPer 2

Budgeted other income includes various revenue items such as, cash sales, which have been disclosed separately on the annual financial statements.

FinPer3

Variances is caused by underspending on capital projects how ever rollovers were approved and the funds are already committed.

FinPer4

Less fines were issued then expected furthermore, revenue was reduced by withdrawn and unequal payments issued by the Court.

FinPer5

Variance is attributable to new appointments , and absorption of contract workers to permanent workers which resulted in increase in bonus and leave pay provisions.

FinPer7

Variance attributable to correction of debt impairment calculation which excludes government and business outstanding balances. The provision in the current year was performed using the recovery rate , the debtors were individually assessed , and provision was then made on the recoverability .

FinPer6

Variance on depreciation is due to increase in current year additions.

Statement of Financial Position:

FinPos1

Variance is a result of lower returns on investments than anticipated .

FinPos2

Variance is attributable to completed assets that were transferred to WIP and capitalised. .

FinPos3

increase in new appointments resulted to increase in provision for leave and bonus which is part of trade and other payables.

FinPos4

No budget was allocated to unspent grant , the management did not anticipate any delays in implementing the procurement plan.

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	2017	2016
	R	R

43. Distribution losses

Gain on electricity distribution	2017	2016
Electricity units (kWh) purchased from Eskom	14 055 872	20 027 708
Electricity units (kWh) sold to consumers	(16 681 351)	(16 719 221)
	(2 625 479)	3 308 487

Electricity gain for the financial year is 18.68%. The Rand value of the electricity gain for the current financial year is (R 2017 R2 625 479).

In the the previous years the municipality was using a night save rate and at the begining of the financial year the rate change to the miniiflex rate and that has low cosst lower than the night save rate which was previously used and this has resulted in distribution gains .

Water losses	2017	2016
Number of units pumped to town	5 734 087	4 258 143
Water (KL) sold to consumers	(1 442 298)	(1 478 396)
	4 291 789	2 779 747

Water losses for the financial year is 74.85%. The estimated Rand value of water losses for the current financial year at R6.85 per kilolitre is R29 398 750.

The selling price rate per kilolitre for the current financial year is R6.85

44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 622 231 678 and that the municipality's total assets exceeds its liabilities by R 622 231 678.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality and raise and collect revenue for services rendered.

45. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date of the financial statements other than those items already mentioned which required disclosure in the annual financial statements.

46. Change in estimate

Property, plant and equipment

As a result of revaluation of assets, the municipality reassessed the useful life of its assets. and this had the effect of decreasing the depreciation expense for the year ended 30 June 2017 by R1 632 251 (2016 : R467 363).

Depreciation for the remaining useful life of these assets is expected to be similarly affected by these changes in accounting estimates.

The impact on the cash flow statement is

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Notes to the Annual Financial Statements

	2017 R	2016 R
47. Comparative figures		
Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.		
48. Auditors' remuneration		
Fees	3 151 304	2 540 150
49. Revenue		
Property rates	43 690 097	39 290 044
Government grants and subsidies	104 128 752	95 037 208
Rental of facilities and equipment	27 980	22 730
Licences and permits	2 124 795	1 889 020
Fines	1 815 532	2 869 046
Income from agency services	2 652 654	2 083 242
Interest earned on investments	1 615 919	1 379 339
Other revenue - insurance	183 239	1 848 127
Other miscellaneous income	1 277 387	344 727
Public contributions and donations	568 532	2 433 365
Inventory gains	778	-
Interest charged from debtors	10 340 714	2 291
Service charges	51 692 084	39 420 041
	220 118 463	186 619 180
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	51 692 084	39 420 041
Royalty income	10 340 714	2 291
Rental of facilities and equipment	27 980	22 730
Interest earned from investments	1 615 919	1 379 339
Income from agency services	2 652 654	2 083 242
Licences and permits	2 124 795	1 889 020
Other income	1 277 387	344 727
Inventory gains	778	-
	69 732 311	45 141 390
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	43 690 097	39 290 044
Transfer revenue		
Government grants	104 128 752	95 037 208
Public contributions and donations	568 532	2 433 365
Fines	1 815 532	2 869 046
Other revenue - insurance	183 239	1 848 127
	150 386 152	141 477 790
50. Consumer debtor traffic fines		
Gross balances		
Fines	7 796 358	6 435 633

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Notes to the Annual Financial Statements

Figures in Rand

50. Consumer debtor traffic fines (continued)

Less: Allowance for impairment

Traffic Fines	(7 588 776)	(6 427 229)
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Net balance

Fines	207 582	8 404
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Fines

Fines owed	207 582	8 404
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51. Public contributions and donations

Donations Received	568 532	2 433 365
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Freinds of library Group donated computer equipment in municipality's library and D.S.R.AC donated furniture and fittings.

52. Discount allowed

Discount allowed	1 420 218	-
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Discount was allowed as a result of the scheme that was introduced and approved by the municipality. The customers were requested to sette their debt in full and get 5% discount.

53. Contracted services

IT Licenses	367 619	742 289
Specialist services	498 352	533 182
other operational services	5 244 575	5 950 995
	6 110 546	7 226 466